ASIA GREEN ENERGY PLC

No. 68/2025
6 May 2025

CORPORATES

Company Rating:	BB+
Outlook:	Negative

Last Review Date: 13/09/24

Company Rating History:

Date	Rating	Outlook/Alert
13/09/24	BB+	Alert Negative
19/06/24	BBB-	Negative
01/06/23	BBB-	Stable
01/10/21	BB+	Stable

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RATIONALE

TRIS Rating removes the CreditAlert with a "negative" implication placed on Asia Green Energy PLC (AGE) on 13 September 2024 and affirms the company rating at "BB+". The rating outlook is "negative" due to significant economic headwinds that could hinder AGE's financial recovery.

The rating continues to reflect AGE's established position as a leading domestic coal trader, as well as its competitive advantages of coal trading facilities and logistics management. However, the rating is constrained by its susceptibility to coal price volatility, heavy customer concentration, and concerns over the long-term prospect of coal consumption given the global trend of energy transition.

KEY RATING CONSIDERATIONS

Moderate impact of ABM acquisition

We assess that AGE's acquisition of Asia Biomass PLC (ABM) has somewhat weighed on AGE's credit profile. ABM is a trader of biomass-derived fuels, with a weak financial profile due to its ongoing losses, thin operating margins, and susceptibility to intensified price-driven market competition. Additionally, the financial consolidation of ABM has resulted in an increase in AGE's overall financial leverage, thereby delaying benefits from the company's deleveraging efforts.

In effect, AGE's total debt remains elevated, rising to THB5.0 billion at the end of December 2024, with THB0.64 billion of additional debt incurred from the ABM consolidation. We expect ABM to contribute a small slice of EBITDA to the group over the near term. Therefore, AGE's debt serviceability will likely depend heavily on the recovery of its core coal trading business and sustained growth in its logistics business.

Performance on a recovery track

Our assessment of AGE's position as a leading domestic coal trader, on the back of its wealth of distribution facilities, remains an important credit driver. AGE's profitability began to recover in the second half of 2024, following considerable losses in the first half. The margin improvement is attributed to the normalization of the coal trading business, supported by the company's shift in policy to avoid price competition, coal price increment, and reduced sales of small-sized coal to remote customers.

Our base-case scenario assumes that AGE will remain on its recovery track. The company is continuing its measures to enhance profitability, including operating cost reductions, asset optimization, and business diversification initiatives.

We project AGE's EBITDA to gradually rise from THB550 million in 2025 to THB800 million in 2027, supported by a restoration in its coal trading activities, steady revenue in smart logistics, and new revenues from the electric vehicle (EV) dealer business. We expect continued weakness in its sustainable energy business.

The EBITDA margin should improve to 4%-6% over the next three years. We anticipate a slightly high level of capital expenditure in 2025 due to new EV showroom expansion and EV taxi procurement. Consequently, we forecast

AGE's debt to EBITDA ratio to improve but still hover at a high level between 5-7 times over 2025-2027, a drastic decline from 23.6 times in 2024.

Economic headwinds pose downside risks

The negative rating outlook reflects the downside risks that could hinder AGE's earnings revival, and then the planned deleveraging may not materialize as per our expectation. Significant economic headwinds induced by global trade tensions could impede the strengthening of AGE's credit metrics. Although the extent of the impact is highly uncertain at the moment, we view the cloudy sentiment could potentially weaken coal demand in AGE's key end markets and intensify price competition. In our view, AGE may not have the financial strength to withstand an extended period of stressed market conditions.

More diversified into greener businesses

AGE is actively restructuring its business to reduce its reliance on coal trading. The company has established two new subsidiaries: AGE Auto Gallery Co., Ltd., which operates an EV dealership, and AGE EV Plus Co., Ltd., which offers taxi services through a ride-hailing platform. Despite the long-term growth potential of the EV market, the success of these ventures is constrained by AGE's limited track record in automotive retail and ongoing intense price competition in the market.

We expect this restructuring to lead to a more diversified business profile for AGE. The revenue contribution from coal and green businesses is expected to shift to 70:30 over the next three years. This business diversification is expected to help mitigate revenue volatility and reduce the impact of risks associated with the coal business, which could arise from the global decarbonization trend.

Highly concentrated market and exposure to price volatility

AGE's revenue profile continues to indicate a concentration risk. Approximately 45% of its coal revenue during 2020 and 2024 was still derived from the domestic cement industry, and a single major customer accounted for 15%-40% of total coal revenue. The expected decline in coal consumption due to low carbon initiatives by major Thai cement producers represents a tremendous challenge to AGE.

Moreover, AGE's profitability is sensitive to global coal price volatility, putting the company at risk of inventory losses during sharp downturns. This risk is partially mitigated by the company's rapid inventory turnover and back-to-back order arrangements with key customers.

Manageable liquidity

We expect AGE will be able to roll over its short-term loans used as working capital. Meanwhile, the company has long-term debt obligations worth THB1.4 billion coming due in 2025, of which THB1.2 billion are debentures. AGE issued new debentures in January 2025 and used internal cash flow to prepay the maturing debentures, reducing the outstanding amount to about THB300 million. We believe AGE's proactive liquidity management has materially eased its refinancing risk. Nevertheless, we anticipate a small cash shortfall to meet near-term debt obligations, which is expected to be covered through working capital management, and planned debenture issuance.

Debt structure

At the end of December 2024, AGE's outstanding debt, excluding lease liabilities, amounted to THB4.6 billion. Priority debt totaled THB3.4 billion. The priority debt to total debt ratio was 74%, indicating that AGE's unsecured creditors are significantly disadvantaged to the company's priority debt holders regarding claims on the company's assets.

BASE-CASE ASSUMPTIONS

Key assumptions in TRIS Rating's base-case forecast for AGE's operations during 2025-2027 are as follows:

- Newcastle coal price to fall to USD115 per tonne in 2025 and USD90 per tonne in 2026-2027.
- Total coal sales volume to stay around 4.0 million tonnes per annum.
- Total revenue to be THB13.5-THB14.5 billion per year.
- EBITDA margin to be 4% in 2025-2026, and 6% in 2027.
- Capital spending to total THB465 million.
- Dividend payout of 40% in 2026-2027.

RATING OUTLOOK

The "negative" outlook reflects the risk of a worsening macroeconomic environment, heightening the uncertainty of our forecast for AGE's credit metrics. Global trade tensions could bring about weakened coal demand, intensified competition, and slim margins, heightening the risk that actual operating results could deviate significantly from our base-case assumptions.

RATING SENSITIVITIES

We could lower the rating if AGE's operating results substantially miss our base-case forecast, leading to eroding profitability, escalating leverage or strained liquidity. An indication of this would be a sustained debt to EBITDA ratio of over 8 times or a steep decline in earnings.

Conversely, we could revise the rating outlook back to "stable" if AGE successfully executes its turnaround measures, as indicated by a strong earnings revival and a significant decline in financial leverage in line with our forecast, resulting in an annual EBITDA within the THB500-THB600 million range and a decline in the debt to EBITDA ratio to 5-7 times.

COMPANY OVERVIEW

AGE was established in 2004 to engage in the coal distribution business in Thailand and nearby countries. The major shareholder is the Kuansataporn Family. AGE is a medium-sized coal trader in Thailand, importing coal primarily from Indonesia, Australia, and Russia for distribution in the Thai market. The company also distributes coal overseas to countries such as Vietnam, Cambodia, China, Myanmar, and Taiwan.

In late 2024, AGE completed the acquisition of a 52.1% stake in ABM through a combination of share swap and tender offer. Following the transaction, ABM became a subsidiary of AGE, necessitating a consolidation of ABM's financial statements into AGE's financial reporting. ABM is a leading biomass feedstock trader.

AGE has four businesses, including coal trading (78% of total revenue in 2024), smart logistic (4%), sustainable energy (17%), and diversified investment (1%). Over 90% of coal sales are derived from the Thai market. AGE's domestic end-customers cover a broad spectrum of industries, including cement, power, food and beverage, paper, and textiles. The company traded between 3.7 to 5.1 million tonnes of coal annually from 2020 to 2024.

AGE's core facilities in Ayutthaya Province include a sizable stockpile area with a storage capacity of one million tonne, three owned loading ports, two warehouses, five screening plants, and a fleet of trucks and lighters. AGE's logistics operations involve the utilization of dry-bulk vessels to transport coal from international mines to Sichang Island. From there, barge transportation is employed to move the coal from Sichang Island to the company's ports situated in Ayutthaya Province. Then, in-land transportation is utilized to deliver coal to customer factories.

KEY OPERATING PERFORMANCE

Table 1: AGE's Revenue Breakdown (Mil. THB)

Revenue	2020	2021	2022	2023	2024
Coal Trading					
- Domestic	6,652	11,699	16,778	11,796	10,018
- Export	897	715	1,425	840	1,331
Total Coal Trading	**7,549**	**12,414**	**18,203**	**12,636**	**11,349**
Smart Logistics	348	470	532	553	642
Sustainable Energy			81	2,345	2,567
Diversified Investment			1	12	162
Total	**7,897**	**12,884**	**18,816**	**15,547**	**14,719**

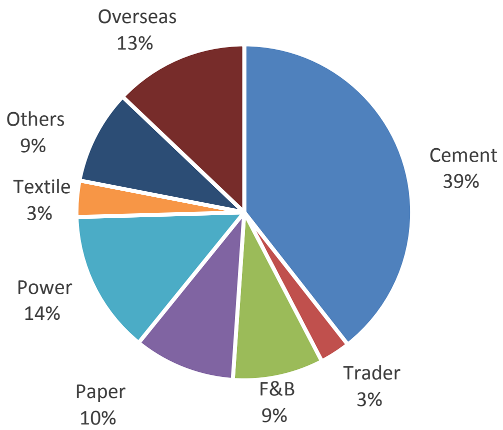
Source: AGE

Table 2: AGE's Coal Sales Volumes (Mil. Tonnes)

Volumes	2020	2021	2022	2023	2024
Coal Trading					
- Domestic	3.76	4.77	3.82	3.45	3.44
- Export	0.65	0.34	0.26	0.24	0.39
Total Coal Trading	**4.41**	**5.11**	**4.08**	**3.69**	**3.83**

Source: AGE

Chart 1: AGE's Coal Revenue Breakdown by Industry in 2024



Source: AGE

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	-------------------Year Ended 31 December ------------------				
	2024	**2023**	**2022**	**2021**	**2020**
Total operating revenues	14,744	15,590	18,852	12,957	7,931
Earnings before interest and taxes (EBIT)	(58)	468	1,746	862	307
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	180	664	1,956	1,039	451
Funds from operations (FFO)	(125)	373	1,455	819	375
Adjusted interest expense	258	231	173	71	47
Capital expenditures	171	204	31	139	216
Total assets	9,088	8,863	8,976	7,582	5,434
Adjusted debt	4,243	3,884	3,855	3,576	2,302
Adjusted equity	3,300	3,832	3,342	2,483	1,888
Adjusted Ratios					
EBITDA margin (%)	1.2	4.3	10.4	8.0	5.7
Pretax return on permanent capital (%)	(0.7)	5.9	25.2	15.9	6.9
EBITDA interest coverage (times)	0.7	2.9	11.3	14.5	9.7
Debt to EBITDA (times)	23.6	5.9	2.0	3.4	5.1
FFO to debt (%)	(3.0)	9.6	37.7	22.9	16.3
Debt to capitalization (%)	56.2	50.3	53.6	59.0	54.9

* *Consolidated financial statements*

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Asia Green Energy PLC (AGE)

Company Rating:	BB+
Rating Outlook:	Negative

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